

**Management Discussion and Analysis
For the Operating Results of Q1/2021**



Srithai Superware Public Company Limited



SITHAI-0501/64

13 May 2021

Subject Management Discussion and Analysis for Q1/2021

Dear President

The Stock Exchange of Thailand

Srithai Superware Public Company Limited (the “Company”) wishes to report the operating results of Q1/2021 as follows:

1. Summary of Operating Results of the Group

The Group’s total operating result for Q1/2021 compared with Q1/2020 improved significantly with profit attributable to the equity holders of the Company of Baht 63 million (Q1/2020: net profit of Baht 36 million), increased by 75% YoY. The Group’s revenues for Q1/2021 amounted to Baht 1,855 million, decreased by Baht 68 million or 3.5% YoY due mainly to the drop in revenues from domestic operations.

Table 1: Summary of Operating Results of the Group

(Unit: Million Baht)	Q1/2021	Q1/2020	YoY	
			+ / (-)	%
Revenues	1,855	1,923	(68)	(3.5%)
Gross Profit	245	242	3	1.2%
Gross Profit (%)	13.2%	12.6%	0.6%	5.0%
Operating profit (loss)	59	34	25	73.5%
Operating profit (loss) margin (%)	3.2%	1.8%	1.4%	79.9%
EBITDA*	250	244	6	2.5%
EBITDA Margin (%)	13.5%	12.7%	0.8%	6.2%
Net profit (loss) for the period	68	38	30	78.9%
Net profit (loss) on sales (%)	3.7%	2.0%	1.7%	85.5%
Profit (loss) attributable to equity holders of the Company	63	36	27	75.0%
Earning (loss) per share (Baht)	0.023	0.013	0.010	76.9%

Note:

*EBITDA excluding share of profit from investments in associates

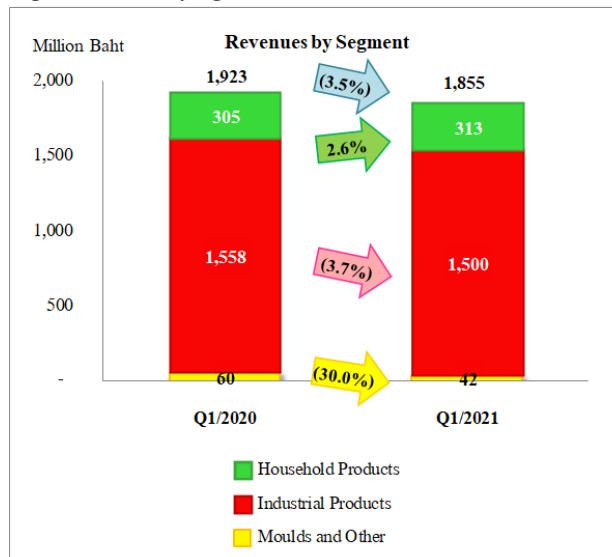
However, overseas operations have continued to show strong momentum.

Gross profit amounted to Baht 245 million, increased by Baht 3 million or 1.2% YoY and gross profit margin increased from 12.6% to 13.2%. This resulted from the Group’s internal restructuring, better costs and expenses management including improvement of production efficiency, amid the surge in raw material prices.

The Group’s operating profit amounted to Baht 59 million, representing profit 3.2% of revenues, compared with operating profit 1.8% of revenues in Q1/2020. Earnings before interest, tax, depreciation and amortization (“EBITDA”) in Q1/2021 amounted to Baht 250 million or EBITDA margin of 13.5% (Q1/2020: EBITDA margin of 12.7%), increased by Baht 6 million. Profit Per Share was Baht 0.023, an increase from a Profit Per Share of Baht 0.013 in Q1/2020.

2. Operating Results by Segment

Figure 1: Revenues by Segment



2.1 Plastic Business Line

2.1.1 Household Products

Revenues of Household Products in Q1/2021 amounted to Baht 313 million, increased by 2.6% YoY, which can be summarized according to the following operating business bases:

➤ Domestic operations

Revenues of domestic operations slightly decreased due mainly from the export sales as the Covid-19 pandemic prolonged,

affecting overseas markets, especially HORECA customers in the US and Europe. In addition, the Thai Baht has appreciated against the US Dollar since the end of 2020 and started to depreciate by the end of Q1/2021; however, it was less depreciated compared with Q1/2020 as can be seen from the movement of the Baht/USD (shown in Figure 2). However, domestic sales improved from new distribution channels including the direct sales and Srithai Super Outlet segments as a result of the change in sales teams, an Online to Offline (O2O) business model, and increasing product variety.

Table 2: Summary of Operating Results of Household Products

(Unit: Million Baht)	Q1/2021	Q1/2020	YoY	
			+ / (-)	%
Revenues	313	305	8	2.6%
Domestic operations	240	247	(7)	(2.8%)
Overseas operations	73	58	15	25.9%
Operating profit (loss)	6	(27)	33	122.2%
Operating profit (loss) margin (%)	1.9%	(8.9%)	10.8%	121.7%
EBITDA*	23	(5)	28	560.0%
EBITDA Margin (%)	7.3%	(1.6%)	9.0%	548.2%

Note:

*EBITDA excluding other income and share of profit from investments in associates

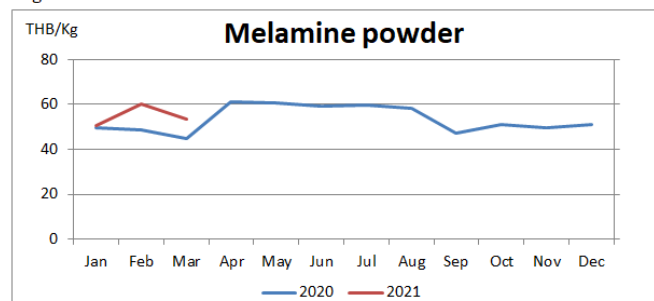
Figure 2: Exchange rate trend Baht per US Dollar


Source: <https://tradingeconomics.com/thailand/currency>

➤ Overseas operations

Revenues from subsidiaries both in Vietnam and India increased compared with Q1/2020 especially in Vietnam, where the recovery of economy is relatively strong with rising private consumption. As a result, sales from traditional market channels among distributors, wholesalers, and retailers increased during the Vietnamese New Year (Tet) festival. Moreover, sales from HORECA market increased as the restaurants reopened and expanded. At the same time, revenues from subsidiaries in India improved, with further depletion of inventories despite the severe outbreak.

The operating profit of Household Products was Baht 6 million in Q1/2021 with operating profit margin of 1.9%, improved from the operating loss of Baht 27 million in Q1/2020 (operating loss margin 8.9%). EBITDA margin was 7.3% in Q1/2021 better than the negative 1.6% in Q1/2020, attributable to the business restructuring which the Group had better control over the operating expenses, in spite of much higher costs of raw materials compared with the same period of the previous year (shown in Figure 3).

Figure 3: Price trend of main raw material from 2020


Source: The Company's research

2.1.2 Industrial Products

Revenues of Industrial Products in Q1/2021 amounted to Baht 1,500 million, decreased by 3.7% YoY. It can be summarized according to the following operating business bases:

➤ Domestic operations

Revenues decreased from Q1/2020 primarily from lower sales in beverage

packaging products and certain products under the Industrial Products group. Sales of beverage packaging products declined due to the continued Covid-19 pandemic from last year and the delayed promotional campaigns that affected the sales of beverage packaging of the Company.

The drop in sales of certain product groups in the industrial products, such as:

- Food packaging products, export sales dropped resulted from Covid-19 as well as logistics/shipment issues. Meanwhile domestic sales from a large customer were also affected by the half-half co-payment scheme of the government. As a result, sales of the Company decreased.
- Crates and containers, sales decreased as the customers postponed orders due to the Covid-19, ahead of the planned peak Songkran festival.
- Garbage bins, sales decreased principally by the postponement of the allocated government budget, affecting the government auction projects for garbage bins.

However, higher sales from certain products included:

- Paint pails, strong sales due to peak season with many sales promotional programs for consumers.
- Furniture, sales increased from a special major project.
- Battery cases, sales increased due to the recovery of the automotive industry.

➤ Overseas operations

Revenues from subsidiaries in Vietnam increased compared with Q1/2020 came mainly from the industrial products especially paint pails, which were co-developed with customers during the end of last year and started to sell in Q1/2021, and the shopping basket containers for modern trade customers which have grown rapidly in Vietnam. Both products contributed to higher sales volume in the pre-Vietnamese New Year (Tet) festival. Meanwhile, revenues from beverage packaging products of the subsidiaries in Vietnam declined due to the delayed orders in preparation for new product launch.

Table 3: Summary of Operating Results of Industrial Products

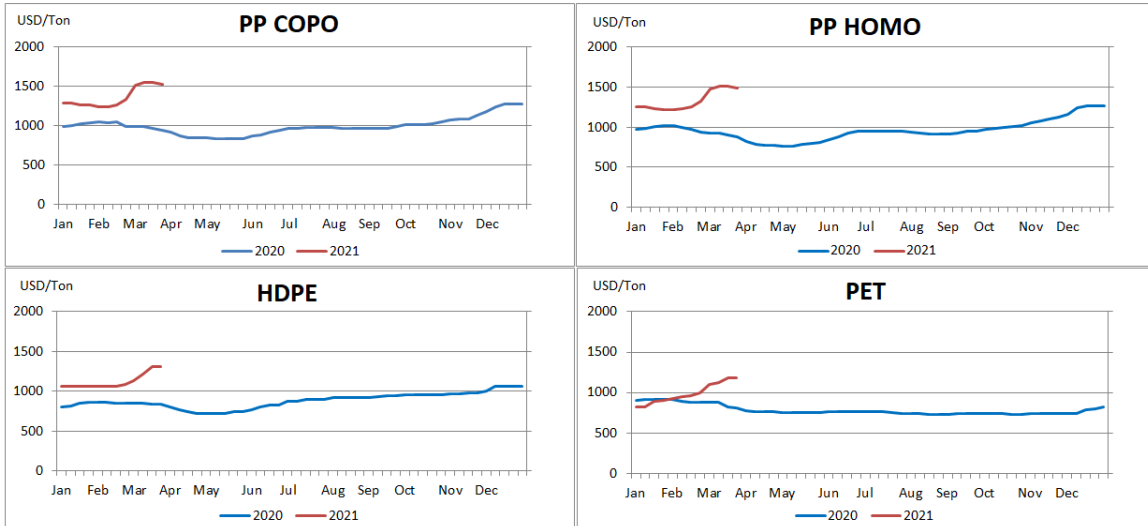
(Unit: Million Baht)	Q1/2021	Q1/2020	YoY	
			+ / (-)	%
Revenues	1,500	1,558	(58)	(3.7%)
Domestic operations	1,040	1,106	(66)	(6.0%)
Overseas operations	460	452	8	1.8%
Operating profit (loss)	57	54	3	5.6%
Operating profit (loss) margin (%)	3.8%	3.5%	0.3%	9.6%
EBITDA*	200	210	(10)	(4.8%)
EBITDA Margin (%)	13.3%	13.5%	(0.1%)	(1.1%)

Note:

*EBITDA excluding other income and share of profit from investments in associates

Operating profit of Industrial Products was Baht 57 million in Q1/2021 (operating profit margin 3.8%), slightly improved from the operating profit of Baht 54 million in Q1/2020 (operating profit margin 3.5%). EBITDA margin was 13.3% in Q1/2021, slightly decreased from 13.5% in Q1/2020. Revenues of Industrial Products decreased with higher raw material costs compared with the previous year (shown in Figure 4), each type of raw materials is used to produce the following products.

Figure 4: Price trend of main raw materials from 2020



Source: ICIS

- PP COPO for paint pails, containers, and battery cases
- PP HOMO for furniture
- HDPE for pallets, garbage bins, crates, and closures
- PET for preform

Driven by improvement of production efficiency, together with procurement and production planning, and control of selling and administrative expenses, the Group was able to generate operating profit, comparable to last year.

2.2 Moulds and Others Business Line

Revenues of the Moulds Business Line in Q1/2021 amounted to Baht 42 million, decreased by 30.0% YoY due to the delay in delivery of moulds by a domestic subsidiary.

The operating loss of Moulds Business Line was Baht 4 million in Q1/2021

(operating loss margin 9.5%), dropped from the operating profit of Baht 6 million in Q1/2020 (operating profit margin

Table 4: Summary of Operating Results of Moulds and Others Business Line

(Unit: Million Baht)	Q1/2021	Q1/2020	YoY	
			+ / (-)	%
Revenues	42	60	(18)	(30.0%)
Moulds	42	60	(18)	(30.0%)
Operating profit (loss)	(4)	6	(10)	(166.7%)
Operating profit (loss) margin (%)	(9.5%)	10.0%	(19.5%)	(195.2%)
EBITDA*	(1)	9	(10)	(111.1%)
EBITDA Margin (%)	(2.4%)	15.0%	(17.4%)	(115.9%)

Note:

*EBITDA excluding other income and share of profit from investments in associates

10.0%). EBITDA margin was negative 2.4% in Q1/2021, lower than positive 15.0% in Q1/2020 due to the decrease in sales, whereas operating expenses decreased in lower proportion.

3. Financial Position

As at 31 March 2021, compared with the end of 2020, the Group had total assets of Baht 7,950 million, an increase of Baht 291 million, which comprised the following key items:

➤ Trade receivables amounted to Baht 1,541 million, increased by Baht 211 million, especially for receivables of industrial products in line with an increase in sales compared to the last quarter of the previous year.

➤ Inventories amounted to Baht 906 million, increased by Baht 46 million, from stocking up raw materials in order to mitigate the impact of higher raw material prices.

➤ Property, Plant and Equipment amounted to Baht 3,724 million, decreased by Baht 58 million due mainly to depreciation.

Total liabilities amounted to Baht 4,040 million, increased by Baht 174 million which comprised the key items as follows:

➤ Trade payable amounted to Baht 995 million, increased by Baht 197 million from the increase in purchase orders of raw material before price adjustment.

➤ Total loans amounted to Baht 2,294 million, decreased by Baht 86 million, consisted of the decrease in short-term loans by Baht 67 million and the decrease in long-term loans by Baht 19 million due principally to scheduled repayment of loans.

Total shareholders' equity amounted to Baht 3,910 million, increased by Baht 117 million, deriving from the improvement in operating profit.

Table 5: Key items in Statement of financial position

(Unit: Million Baht)	31 Mar 21	31 Dec 20	Increase (Decrease)
Trade receivables	1,541	1,330	211
Inventories	906	860	46
Property, plant and equipment	3,724	3,782	(58)
Total assets*	7,950	7,659	291
Trade payables	995	798	197
Short-term loans	1,579	1,646	(67)
Long-term loans	715	734	(19)
Total liabilities*	4,040	3,866	174
Total shareholders' equity*	3,910	3,793	117

Note:

*Total lines extracted from Statements of Financial Position

4. Cash flow

The Group had an increase in cash and cash equivalents by Baht 150 million, consisting of:

➤ Cash flow from operating activities amounted to Baht 297 million, increased from prior year mainly due to the improved

performance and withholding tax refunds of a domestic subsidiary.

➤ Cash flow used in investment activities amounted to Baht 43 million, decreased from prior year due to lower additional purchase of fixed assets.

➤ Cash flow used in financing activities amounted to Baht 104 million, lower than the prior year due to the decrease in scheduled principal repayment of long term loans in spite of having additional drawdown of long term loans by subsidiaries in Vietnam.

As at 31 March 2021, the Group still had available unused credit facilities totaling more than Baht 4 billion comprising overdraft facilities, working capital and long term loan credit lines.

Table 6: Cash flow statement

(Unit: Million Baht)	3 months	3 months
	2021	2020
Net cash flows from operating activities	297	213
Net cash flows used in investing activities	(43)	(65)
Net cash flows used in financing activities	(104)	(112)
Net increase (decrease) in cash and cash equivalents	150	36

5. Key Financial Ratios

Liquidity Ratio

Liquidity ratio as at the end of Q1/2021 was 1.0 time, relatively comparable with that in Q1/2020 being 1.0 time. This is due to the policy on managing assets and liabilities in order to increase the liquidity and cash flow of the Group.

Working Capital Ratios

Cash Cycle as at the end of Q1/2021 was 69.8 days, significantly improved from the end of Q1/2020 being 94.4 days due to:

➤ The average number of days for Trade

Table 7: Key Financial Ratios

Description	Unit	Q1/2021	Q1/2020
Liquidity Ratio			
Current Ratio	Times	1.0	1.0
Working Capital Ratios			
Collection Period	Days	74.8	84.8
Inventory Turnover Period	Days	50.6	62.5
Payment Period	Days	55.6	52.9
Cash Cycle	Days	69.8	94.4
Profitability Ratios			
Return on Equity	%	1.7	1.0
Return on Operating Assets	%	1.7	0.9
Financial Structure Ratios			
Debt to Equity	Times	1.0	1.2
Net Interest Bearing Debt to Equity	Times	0.4	0.6

Receivables equaled to 74.8 days, improved from 84.8 days of Q1/2020. This is due to the debt collection management.

➤ The average number of days for Inventories equaled to 50.6 days, improved from 62.5 days of Q1/2020. This is due to the management of storing raw materials and finished goods and the delivery of goods.

➤ The average number of days for Trade Payables equaled to 55.6 days, increased from 52.9 days of Q1/2020. This is due to the extension of payment terms with certain suppliers to strengthen the Company's liquidity.

Profitability Ratios

➤ Return on Equity, as at the end of Q1/2021 was 1.7%, increased from Q1/2020 being 1.0% corresponding to the improved operating result.

➤ Return on Operating Assets, as at the end of Q1/2021 was 1.7%, increased from Q1/2020 being 0.9% as a result of the improved performance, while operating assets decreased mainly from depreciation.

Financial Structure Ratios

➤ The Group had Debt to Equity ratio as at the end of Q1/2021 of 1.0 times, decreased from 1.2 times of Q1/2020. This is due to an overall decrease in debts especially interest-bearing debts mainly from the scheduled repayment of loans.

➤ Net interest bearing debts to equity of the Group at the end of Q1/2021 was 0.4 times, decreased from 0.6 times of Q1/2020, as a result of significant decrease of interest-bearing debts.

Please be informed accordingly.

Yours faithfully,

Srithai Superware Public Company Limited

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